

Committee of the Whole Minutes
Wednesday, July 17, 2019 – 6:00 p.m.
Council Chambers

Purpose: 2018 Comprehensive Annual Financial Report (CAFR)

Present: Alderpersons Bates, Lang, Erickson, Spellman, Steele, Stevenson and Mayor Kaufert. Alderpersons Boyette, Lendrum and Kunz were excused.

Also Present: Asst. City Attorney Vanden Heuvel, City Clerk Sturn, Director of Finance Easker, Asst. Comptroller Kahl and John Rader, Auditor with Baker, Tilly, Virchow, Krause, LLP.


Council President Stevenson called the meeting to order at 6:03 p.m.

2018 Comprehensive Annual Financial Report (CAFR)

John Rader gave a brief presentation on the 2018 Comprehensive Annual Financial Report (CAFR), Communication to Those Charged with Governance and Management and the Report to the City Council for the year ending December 31, 2018. The City of Neenah once again has a clean opinion or unmodified opinion, which is important for its bond rating. He focused on the "Report to the City Council" which highlights the 2018 Financial Statements and answered questions from the Council. **MSC Bates/Erickson to refer the Management Letter to the Finance & Personnel Committee and accept the 2018 Comprehensive Annual Financial Report (CAFR), Communication to Those Charged with Governance & Management and Report to the City Council and place them on file, all voting aye.**

Adjournment

MSC Steele/Bates to adjourn at 6:52 p.m., all voting aye.


Patricia A. Sturn, WCPC/MMC

**CITY OF NEENAH
REPORT TO THE CITY COUNCIL**

July 17, 2019

Presented By:



Baker Tilly Virchow Krause, LLP
Ten Terrace Ct, PO Box 7398, Madison, WI 53707-7398 USA

Carla A. Gogin, CPA, Partner
Jodi Dobson, CPA, Manager
John Rader, CPA, Firm Director

Actual data was derived from current and prior years audited financial statements

This communication is intended solely for the information and use of management, the city council, and others within the organization, and is not intended to be, and should not be, used by anyone other than the specified parties.

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Your Experienced Client Service Team



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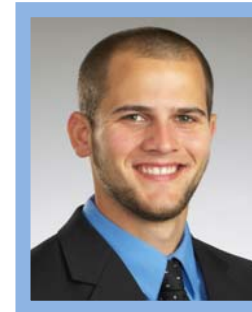
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Status of our audit and areas of audit emphasis

Status of our audit / Deliverables

- > The City's financial audit for the year ended December 31, 2018 is complete. Our audit was performed in accordance with auditing standards generally accepted in the United States of America.
- > We issued an unmodified opinion on the City's Comprehensive Annual Financial Report (CAFR).
- > No new accounting standards were implemented in 2018.
- > We also issued a Communication to Those Charged with Governance and Management.

Baker Tilly Responsibilities

We are responsible for:

- > Performing an audit in accordance with auditing standards generally accepted in the United States of America
- > Forming and expressing opinions about whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States of America
- > Communicating specific matters to you on a timely basis
- > Gaining an understanding of the City's control environment but not to express an opinion on the effectiveness of the City's internal control. Our responsibilities are outlined in the Communication to those Charged with Governance and Management. This document also includes other required communications.

An audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve you or management of your responsibilities. Our respective responsibilities are described further in our engagement letter.

Those Charged with Governance (City Council) and Management Responsibilities

Those Charged with Governance

Those charged with Governance are responsible for:

- > Overseeing the financial reporting process
- > Setting a positive tone at the top and challenging the City's financial practices
- > Discussing significant accounting and internal control matters with management
- > Informing us about fraud or suspected fraud, including its views about fraud risks
- > Informing us about other matters that are relevant to our audit, such as:
 - Risks that may result in heightened risks of material misstatement
 - Matters warranting particular audit attention
 - Significant communications with grantor agencies
 - Matters related to the effectiveness of internal control and your oversight responsibilities
 - Your views regarding our current communications and your actions regarding previous communications

Management

Management is responsible for:

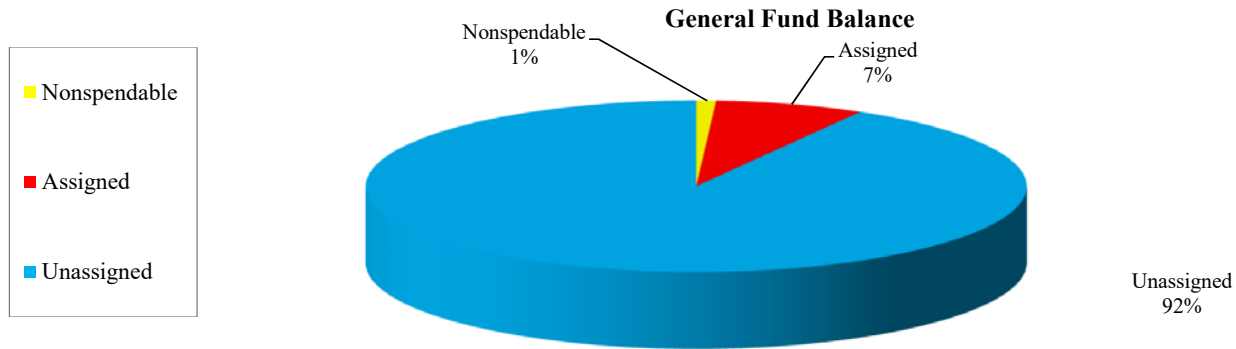
- > Preparing and fairly presenting the financial statements in accordance with accounting principles generally accepted in the United States of America (the City engages Baker Tilly to prepare its financial statements.)
- > Designing, implementing, evaluating, and maintaining effective internal control over financial reporting
- > Communicating significant accounting and internal control matters to those charged with governance
- > Providing us with unrestricted access to all individuals and all information relevant to our audit
- > Informing us about fraud, illegal acts, significant deficiencies, and material weaknesses
- > Adjusting the financial statements, including disclosures to correct material misstatements
- > Informing us of subsequent events
- > Providing us with written representations

2018 Financial Results

CITY OF NEENAH
2018 FINANCIAL STATEMENT HIGHLIGHTS

DETAILS OF GENERAL FUND BALANCE

	<u>2018</u>	<u>2017</u>
<u>Nonspendable</u> <i>includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.</i>	\$44,317	\$49,991
<u>Assigned</u> <i>includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed.</i>	337,019	361,836
<u>Unassigned</u> <i>includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories.</i>	<u>4,220,834</u>	<u>3,978,169</u>
Total General Fund Balance	<u>\$ 4,602,170</u>	<u>\$ 4,389,996</u>



CITY OF NEENAH
2018 FINANCIAL STATEMENT HIGHLIGHTS

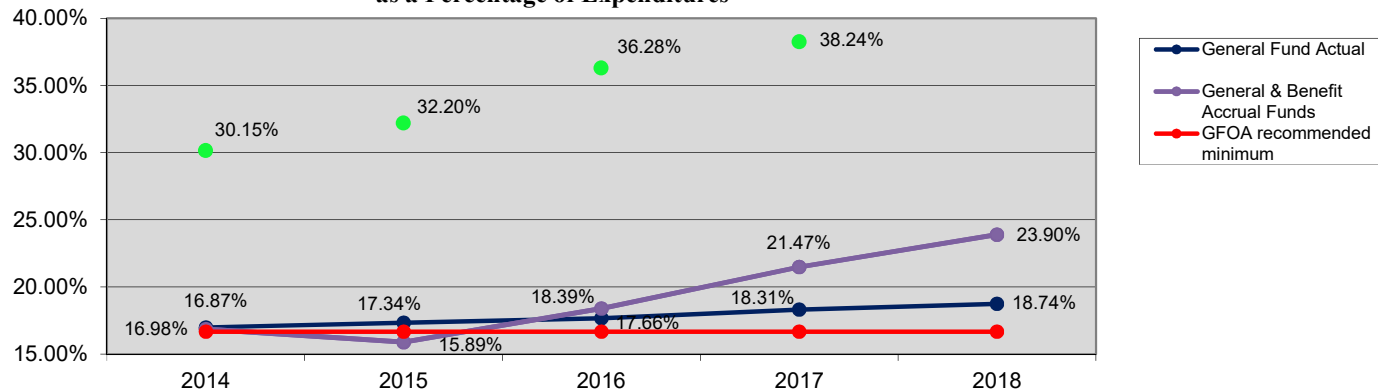
ANALYSIS OF GENERAL FUND (GF) BALANCE

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Unrestricted GF Fund Balance	3,882,057	3,978,809	4,117,584	4,340,005	4,557,853
GF Expenditures	22,861,220	22,944,639	23,312,153	23,705,316	24,326,589
% of expenditures	16.98%	17.34%	17.66%	18.31%	18.74%

ANALYSIS OF GENERAL FUND BALANCE AND BENEFIT ACCRUAL NET POSITION

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Unrestricted GF Fund Balance					
and Benefit Accrual Net Position	\$ 3,856,066	\$ 3,645,582	\$ 4,286,200	\$ 5,090,020	\$ 5,812,941
GF Expenditures	22,861,220	22,944,639	23,312,153	23,705,316	24,326,589
% of expenditures	16.87%	15.89%	18.39%	21.47%	23.90%

**Unrestricted General Fund Balance
as a Percentage of Expenditures**



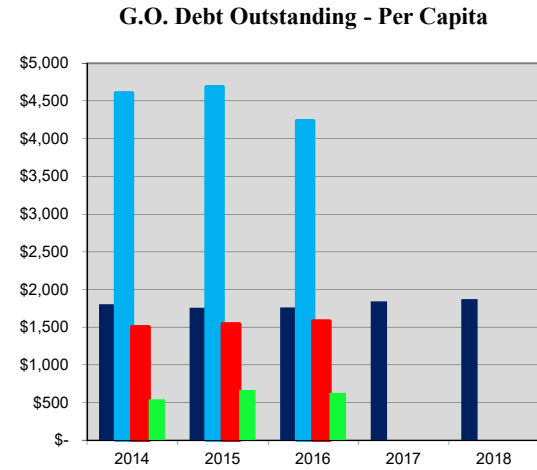
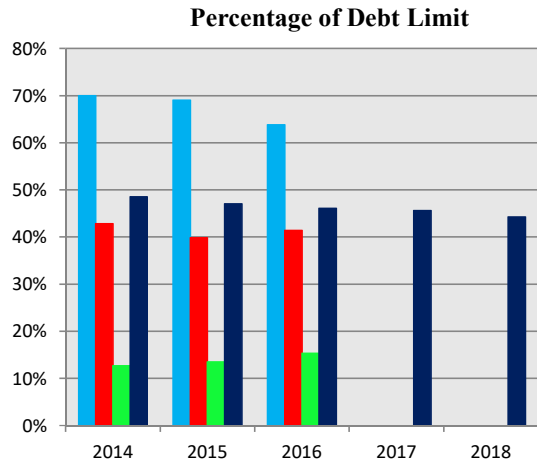
GFOA recommended range for % of expenditures: no less than 2 months of regular GF operating expenditures

Reference values for the population range: 17,500 to 30,000 generated from 2014-2017 Baker Tilly municipal client data for Wisconsin.

CITY OF NEENAH
2018 FINANCIAL STATEMENT HIGHLIGHTS

GENERAL OBLIGATION DEBT OUTSTANDING

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Total General Obligation (G.O.) Debt (net)</u>					
City	\$ 37,821,664	\$ 36,925,947	\$ 37,291,112	\$ 38,779,814	\$ 40,171,940
Utilities	8,686,334	8,518,933	8,560,252	9,012,626	8,686,160
TOTAL	<u>\$ 46,507,998</u>	<u>\$ 45,444,880</u>	<u>\$ 45,851,364</u>	<u>\$ 47,792,440</u>	<u>\$ 48,858,100</u>
Population	25,833	25,871	26,050	25,976	26,137
G.O. Debt Capacity	\$ 95,917,110	\$ 96,652,750	\$ 99,583,005	\$ 104,764,240	\$ 110,483,105
G.O. debt per capita	\$ 1,800	\$ 1,757	\$ 1,760	\$ 1,840	\$ 1,869
% of debt limit	48%	47%	46%	46%	44%



2014-2016 Reference values for the population range: 17,500 to 30,000 taken from *MunicipalFacts18* publication by the Wisconsin Policy Forum, 2018.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Total CDA Lease Revenue Bonds</u>					
CDA (TIF No. 8)	\$ 23,330,000	\$ 22,820,000	\$ 22,720,000	\$ 19,965,000	\$ 18,890,000

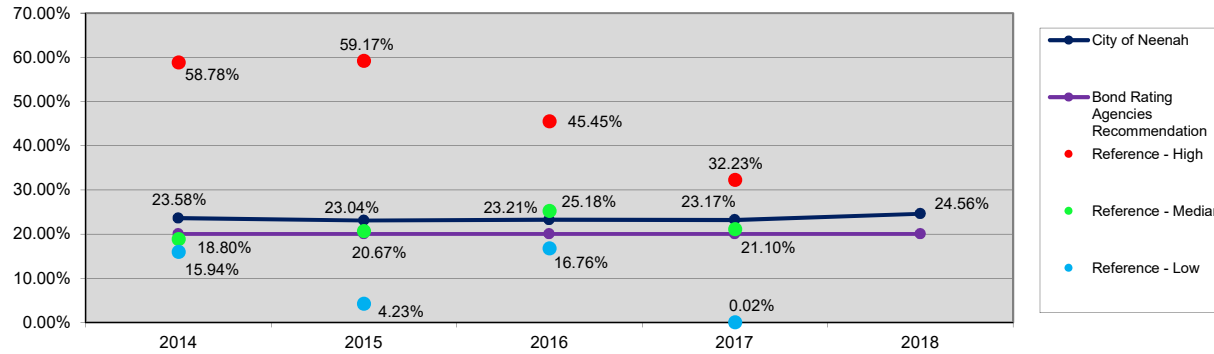
CITY OF NEENAH 2018 FINANCIAL STATEMENT HIGHLIGHTS

ANALYSIS OF DEBT SERVICE - GOVERNMENTAL FUNDS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Total Debt Service</u>					
Principal*	\$ 5,414,820	\$ 5,249,257	\$ 5,179,835	\$ 5,884,798	\$ 6,513,075
Interest	<u>2,037,422</u>	<u>1,988,386</u>	<u>2,253,996</u>	<u>1,880,291</u>	<u>1,930,556</u>
TOTAL	<u>\$ 7,452,242</u>	<u>\$ 7,237,643</u>	<u>\$ 7,433,831</u>	<u>\$ 7,765,089</u>	<u>\$ 8,443,631</u>
<u>Total Non-Capital Expenditures</u>					
Total governmental funds expenditures*	\$ 35,501,980	\$ 35,101,427	\$ 37,011,330	\$ 39,238,554	\$ 43,455,250
Less: capital outlay	<u>(3,901,278)</u>	<u>(3,692,981)</u>	<u>(4,979,179)</u>	<u>(5,727,550)</u>	<u>(9,082,437)</u>
TOTAL NON-CAPITAL EXPENDITURES	<u>\$ 31,600,702</u>	<u>\$ 31,408,446</u>	<u>\$ 32,032,151</u>	<u>\$ 33,511,004</u>	<u>\$ 34,372,813</u>
% of debt service to non-capital expenditures	23.58%	23.04%	23.21%	23.17%	24.56%

*Excludes debt refundings

Debt Service to Non-Capital Expenditures



	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Bond rating agencies recommended %	20.00%	20.00%	20.00%	20.00%
High - Reference:	63.06%	58.78%	59.17%	45.45%
Median - Reference:	29.88%	18.80%	20.67%	25.18%
Low - Reference:	12.06%	15.94%	4.23%	16.76%

Reference values for the population range: 17,500 to 30,000 generated from 2014-2017 Baker Tilly municipal client data for Wisconsin.

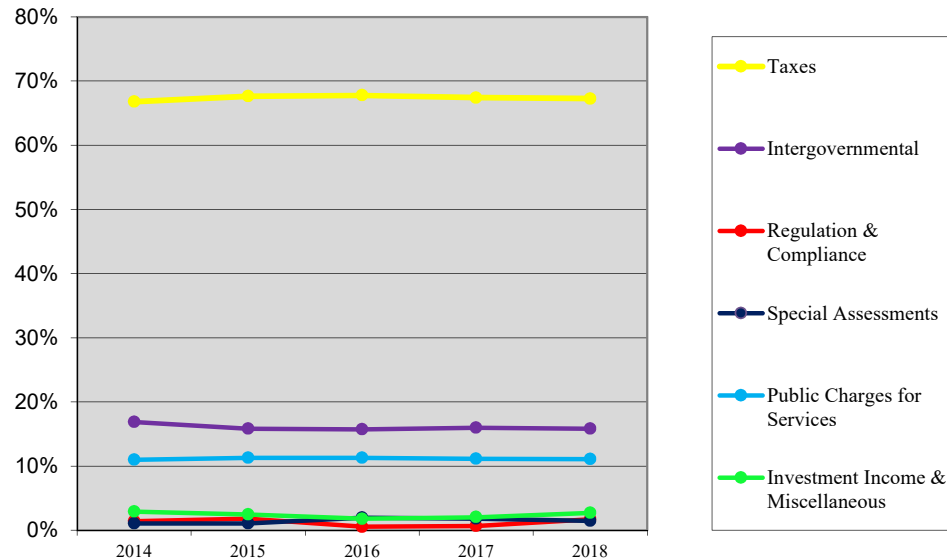
CITY OF NEENAH

2018 FINANCIAL STATEMENT HIGHLIGHTS

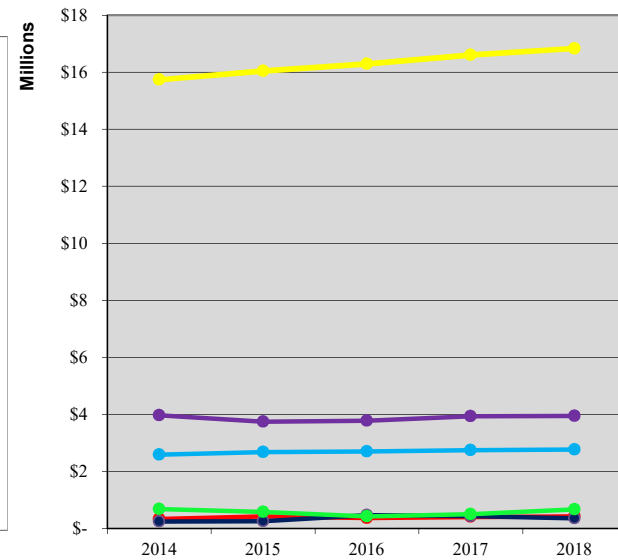
GENERAL & DEBT SERVICE FUND REVENUES

	<u>2014</u>	<u>%</u>	<u>2015</u>	<u>%</u>	<u>2016</u>	<u>%</u>	<u>2017</u>	<u>%</u>	<u>2018</u>	<u>%</u>
<u>Total Revenues</u>										
Taxes	\$ 15,737,223	67%	\$ 16,044,912	68%	\$ 16,294,432	68%	\$ 16,602,342	67%	\$ 16,834,458	67%
Intergovernmental	3,967,853	17%	3,747,003	16%	3,779,051	16%	3,937,656	16%	3,952,483	16%
Regulation and Compliance	335,931	1%	421,797	2%	367,571	1%	409,047	1%	429,371	2%
Special Assessments	244,090	1%	255,338	1%	471,314	2%	438,901	2%	360,132	1%
Public Charges for Services	2,590,284	11%	2,676,479	11%	2,706,577	11%	2,742,980	11%	2,774,532	11%
Investment Income & Miscellaneous	683,868	3%	579,420	2%	426,839	2%	499,139	2%	677,429	3%
TOTAL	\$ 23,559,249	100%	\$ 23,724,949	100%	\$ 24,045,784	100%	\$ 24,630,065	100%	\$ 25,028,405	100%

% of Total Revenue



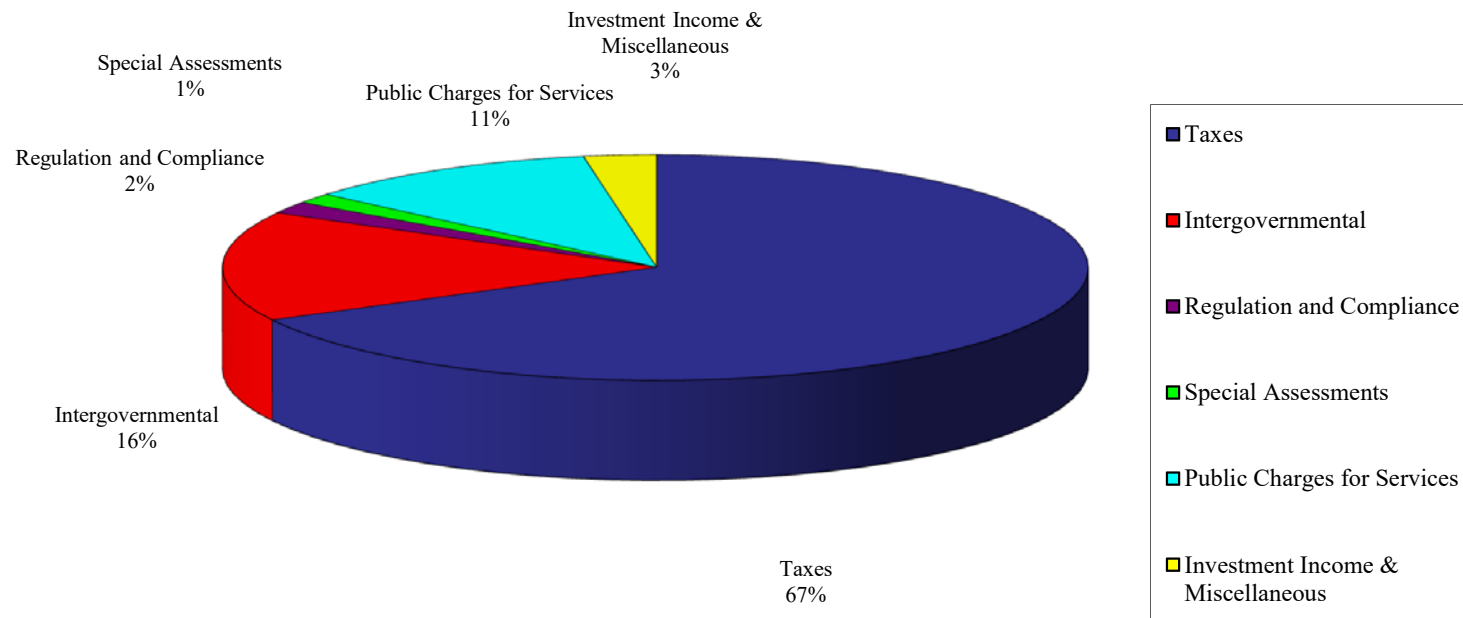
Total Revenue



CITY OF NEENAH
2018 FINANCIAL STATEMENT HIGHLIGHTS

2018 GENERAL & DEBT SERVICE FUND REVENUES

Total Revenues: \$25,028,405



CITY OF NEENAH 2018 FINANCIAL STATEMENT HIGHLIGHTS

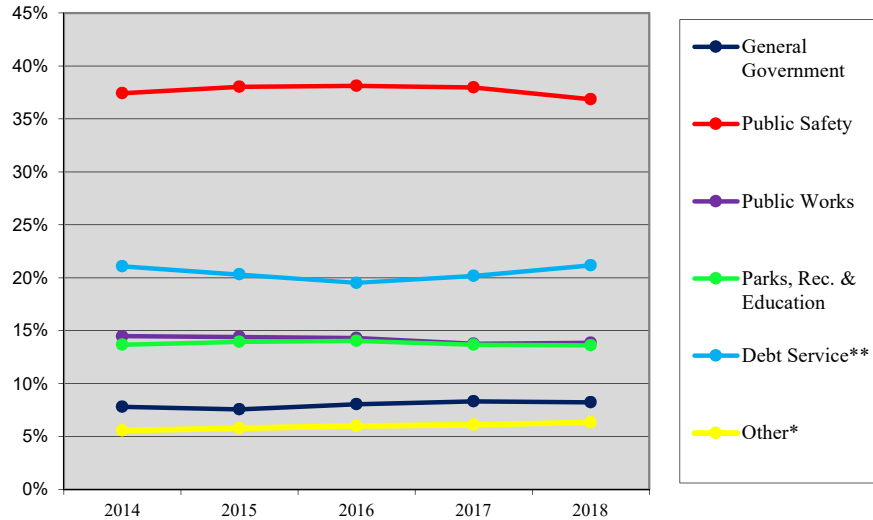
GENERAL & DEBT SERVICE FUND EXPENDITURES

	<u>2014</u>	<u>%</u>	<u>2015</u>	<u>%</u>	<u>2016</u>	<u>%</u>	<u>2017</u>	<u>%</u>	<u>2018</u>	<u>%</u>
<u>Total Expenditures</u>										
General Government	\$ 2,257,794	8%	\$ 2,177,819	8%	\$ 2,333,870	8%	\$ 2,470,604	8%	\$ 2,537,061	8%
Public Safety	10,841,651	37%	10,943,161	38%	11,039,877	38%	11,274,145	38%	11,365,711	37%
Public Works	4,189,970	14%	4,147,828	14%	4,140,075	14%	4,084,921	14%	4,274,872	14%
Parks, Rec. & Education	3,961,212	14%	4,009,698	14%	4,060,987	14%	4,061,509	14%	4,194,538	14%
Debt Service**	6,104,502	21%	5,844,544	20%	5,651,524	20%	5,991,076	20%	6,525,493	21%
Other*	1,610,593	6%	1,666,133	6%	1,737,344	6%	1,814,137	6%	1,954,407	6%
TOTAL	\$ 28,965,722	100%	\$ 28,789,183	100%	\$ 28,963,677	100%	\$ 29,696,392	100%	\$ 30,852,082	100%

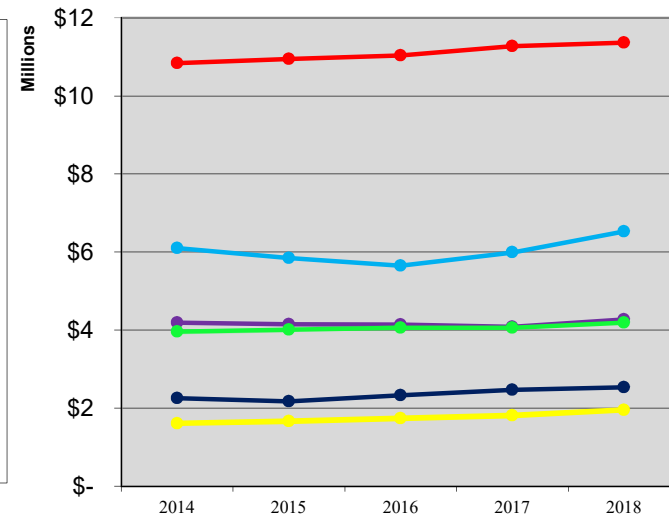
*Other includes health and welfare, community development, and other

**Excludes debt refunding

% of Total Expenditures



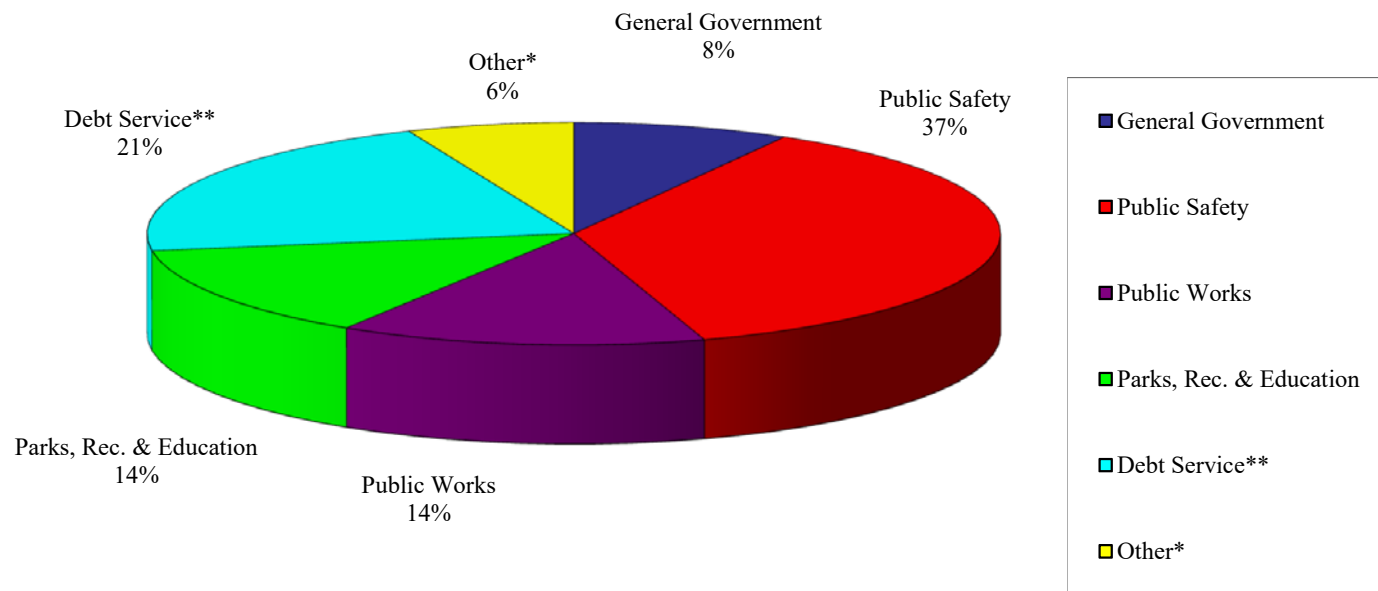
Total Expenditures



CITY OF NEENAH
2018 FINANCIAL STATEMENT HIGHLIGHTS

2018 GENERAL & DEBT SERVICE FUND EXPENDITURES

Total Expenditures: \$30,852,082

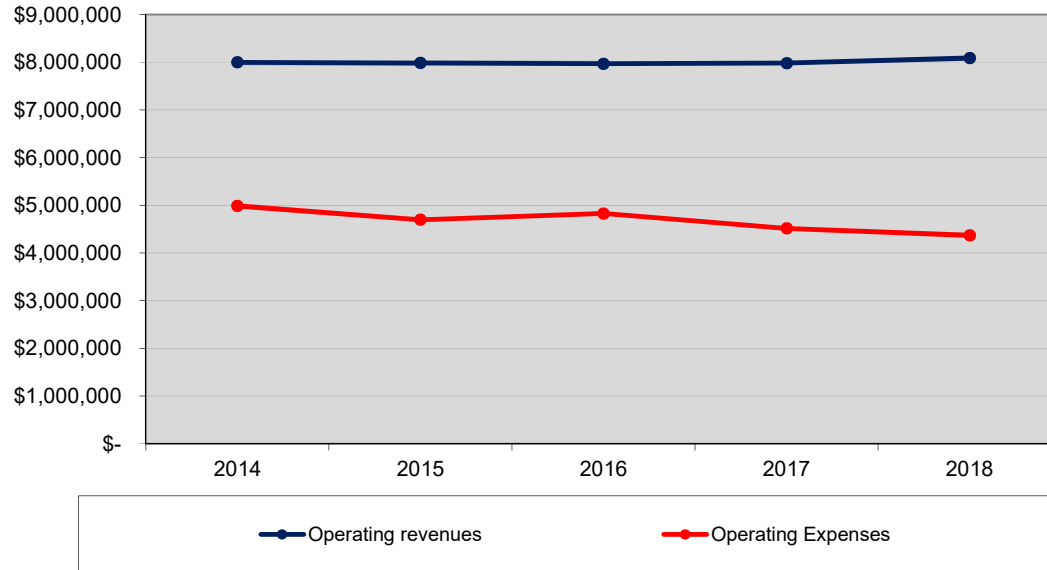


*Other includes includes health and welfare, community development, and other

**Excludes debt refunding

CITY OF NEENAH
WATER UTILITY FINANCIAL STATEMENT HIGHLIGHTS

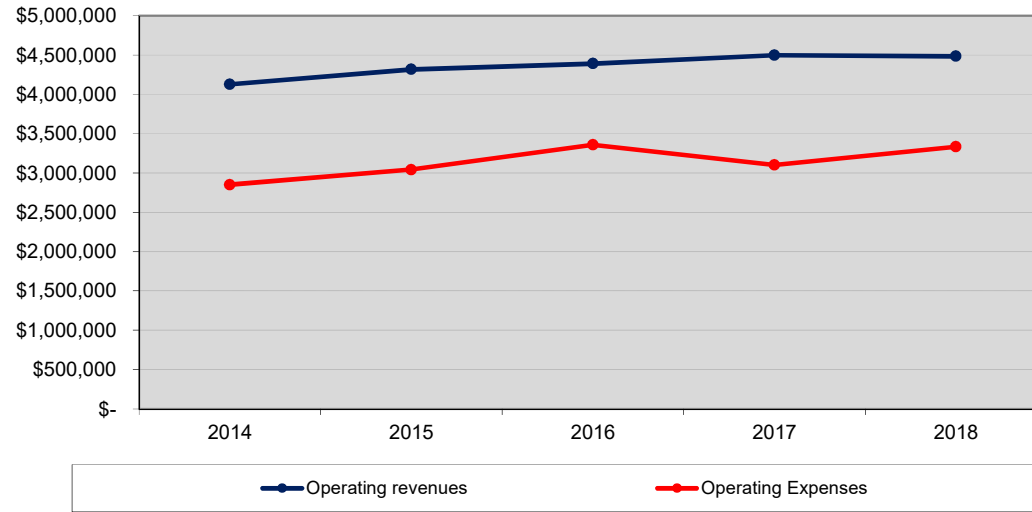
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Water Sold (000's)	891,581	887,301	884,579	890,217	909,587
Operating Revenues	\$ 8,000,288	\$ 7,986,324	\$ 7,968,827	\$ 7,982,137	\$ 8,088,402
Operating Expenses	4,986,217	4,697,670	4,829,720	4,517,580	4,369,183



	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Ability to meet current obligations</u>					
Unrestricted cash & investments	\$ 4,160,945	\$ 4,655,815	\$ 5,156,402	\$ 6,037,187	\$ 6,999,609
Months of unrestricted cash	6.25	7.01	7.75	9.08	10.38
<u>Rate of Return</u>					
Actual rate	5.53%	6.40%	6.23%	7.37%	8.32%
Authorized rate	7.50%	7.50%	7.50%	7.50%	7.50%
<u>Debt Coverage</u>					
Actual	1.53	1.79	1.74	2.08	2.23
Required	1.25	1.25	1.25	1.25	1.25

CITY OF NEENAH
SEWER UTILITY FINANCIAL STATEMENT HIGHLIGHTS

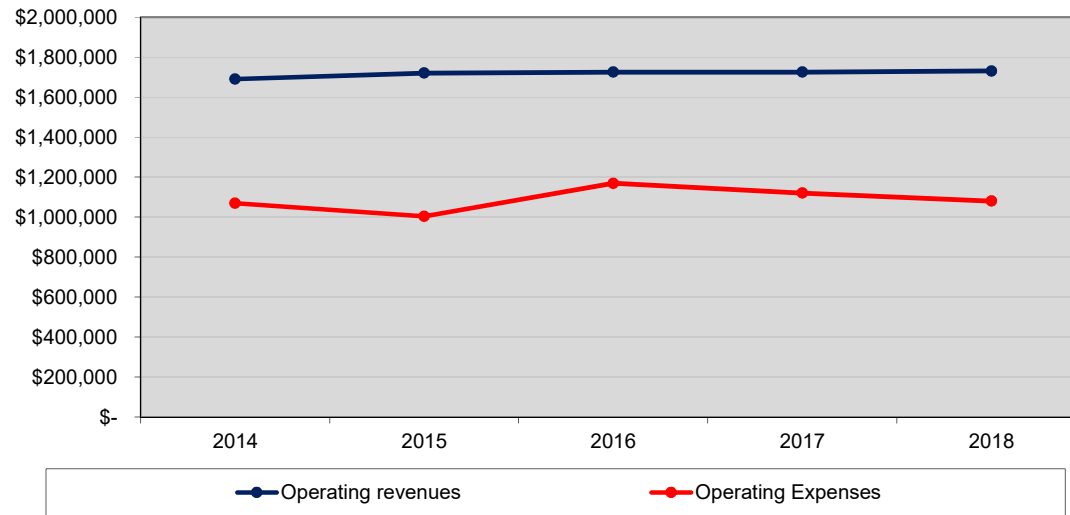
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Volume Billed (gallon's)	<u>753,599</u>	<u>804,201</u>	<u>785,616</u>	<u>755,851</u>	<u>735,961</u>
Operating Revenues	\$ 4,127,959	\$ 4,319,189	\$ 4,390,824	\$ 4,498,152	\$ 4,483,909
Operating Expenses	2,851,583	3,042,750	3,358,028	3,100,223	3,333,552



	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Ability to meet current obligations</u>					
Unrestricted cash & investments	\$ 1,605,342	\$ 2,214,298	\$ 2,394,224	\$ 2,459,191	\$ 2,399,558
Months of unrestricted cash	4.46	6.05	6.39	6.56	6.42

CITY OF NEENAH
STORM UTILITY FINANCIAL STATEMENT HIGHLIGHTS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Equivalent Residential Units (000's)	20,112	20,164	20,209	20,229	20,381
Operating Revenues	\$ 1,690,301	\$ 1,720,630	\$ 1,725,929	\$ 1,725,792	\$ 1,731,216
Operating Expenses	1,069,361	1,003,945	1,169,506	1,120,080	1,080,049



	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Ability to meet current obligations</u>					
Unrestricted cash & investments	\$ 3,299,310	\$ 3,380,463	\$ 3,725,312	\$ 3,725,312	\$ 3,402,905
Months of unrestricted cash	23.42	23.58	25.90	25.90	23.59
<u>Debt Coverage</u>					
Actual	28.62	24.09	26.28	26.28	29.43
Required	1.10	1.10	1.10	1.10	1.10